

# STRENGTHEN SOCIAL SECURITY

## ...don't cut it.

November 15, 2011

The Honorable Sherrod Brown  
Senate Hart 713  
Washington, D.C. 20510

The Honorable Barbara A. Mikulski  
Senate Hart 503  
Washington, D.C. 20510

Dear Senators Brown and Mikulski:

The [Strengthen Social Security Campaign](#) – a broad-based, diverse coalition of over 320 national and state organizations representing over 50 million Americans – strongly supports your bill to improve the accuracy of Social Security's annual cost-of-living adjustment (COLA) by adopting the Consumer Price Index for the Elderly (CPI-E).

The purpose of regular COLAs is to ensure that benefits maintain their purchasing power. The CPI-E is the best measure available to meet that goal, and far superior to the current measure used. The current measure (CPI-W) does not take into account the higher share of spending devoted to health care by seniors and people with disabilities. This flaw in the current index results in the serious under-measuring of inflation that they experience because health care costs are rising much more rapidly than other costs. Since 1989, health care prices have risen 50 percent more than overall inflation. In 2009 spending on [health care was more than twice as large as a percentage of total spending for people age 65 and over](#) (12.9 percent) than for people ages 25–64 (5.3 percent). The CPI-E weighs health care expenses more heavily than the current COLA formula, more accurately reflecting the inflation that seniors and people with disabilities experience.

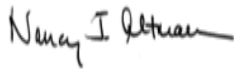
Because the CPI-E is more accurate, it would better maintain the purchasing power of all Social Security beneficiaries, but particularly for those in late old-age, when they are often most economically vulnerable. [Under the CPI-E](#), Social Security beneficiaries with average pre-retirement earnings would, in today's dollars, receive roughly \$395 more than under current law at age 75, \$695 more at age 85, and \$1000 more at age 95, if they were fortunate enough to reach that age.

Your bill is especially timely, because many in Congress have proposed using a COLA based on the chained Consumer Price Index (CPI). At a time when the COLA already fails to keep pace with rising health care costs, the chained CPI would make the Social Security COLA even less accurate than it is currently. The so-called chained CPI would take the most out of beneficiaries' pockets in late old-age, cutting benefits for Social Security beneficiaries with average pre-retirement earnings by about \$1,000 when they reach age 85.

Social Security benefits are modest, but vital. While the average Social Security benefit is only about \$13,000 a year in 2010, around 2 out of 3 senior households and 7 out of 10 people with disabilities rely on Social Security for a majority of their income. As a result, even a benefit cut of \$1,000 could jeopardize the economic security of Social Security beneficiaries, and increase the number of beneficiaries living in poverty.

Social Security is a promise to all Americans that if they work hard and contribute to the program, they will be assured a life of basic dignity in old-age, and they and their families will be provided for in the event they become severely disabled or die. To fulfill this promise, Social Security benefits must not erode in value over time. They must keep pace with the health care costs facing seniors and people with disabilities. Under the current COLA formula, Social Security falls short of this promise. We commend you for your bill proposing the CPI-E, which, in guaranteeing that Social Security benefits more accurately reflect the health care costs experienced by seniors and people with disabilities, would ensure that Social Security better fulfills its promise to the American people.


Sincerely,



Nancy Altman  
Campaign Co-Chair



Eric Kingson  
Campaign Co-Chair



Frank Clemente  
Campaign Manager



Alex Lawson  
Executive Director  
Social Security Works